

Message Text

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TAGS: EEC, PO

SUBJECT: EC COMMISSION PROPOSALS ON PORTUGAL

REF: A. EC BRUSSELS 5277 B. EC BRUSSELS 5308

1. SUMMARY: THE MISSION HAS RECEIVED IN CONFIDENCE A COPY OF THE EC COMMISSION'S PROPOSALS ON PORTUGAL APPROVED ON JUNE 11 (REFTELS). THE PAPER CONTAINS TWO MAJOR SUGGESTIONS: (A) A PROGRAM OF EMERGENCY FINANCIAL ASSISTANCE AND (B) A PROGRAM OF MORE TRADITIONAL COOPERATION MEASURES RECOMMENDED BY THE EC PORTUGAL WORKING GROUP. END SUMMARY.

2. THE COMMISSION'S PROPOSALS CAME IN TWO PARTS. THE FIRST OUTLINED A "NEW COMMUNITY ACTION" IN THE FORM OF EMERGENCY AID WHICH, IN ADDITION TO ITS ECONOMIC IMPORTANCE, WOULD SERVE AS A POLITICAL AFFIRMATION OF THE COMMUNITY'S READINESS TO SUPPORT PORTUGAL. THE COMMISSION PLACED THE HIGHEST PRECEDENCE ON IMPLEMENTING THIS FUND

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RAPIDLY.

3. THE SECOND PART OF THE COMMISSION PROPOSALS CALLED FOR CLOSER COOPERATION IN FOUR SECTORS OF EC/PORTUGAL RELATIONS--COMMERCIAL, SOCIAL, TECHNICAL, AND FINANCIAL--BASED ON THE RECOMMENDATIONS OF A MIXED EC/PORTUGAL WORKING GROUP. THIS SECTION OF THE PROPOSALS ENVISAGED THE EXPANSION OF THE 1972 ACCORD BETWEEN THE COMMUNITY AND PORTUGAL. THERE WAS A TIME SEQUENCE SET OUT FOR THE FOUR ELEMENTS. THE COMMERCIAL MEASURES (PROMOTING TRADE BETWEEN THE EC AND PORTUGAL) AND THE SOCIAL MEASURES (CONCERNING PORTUGUESE WORKERS WITHIN THE COMMUNITY) WOULD BE TAKEN QUICKLY, SIMILAR TO THE EMERGENCY AID, IN ORDER TO HAVE A SHORT TERM IMPACT. MEASURES CONCERNING THE FINANCIAL PROTOCOL, HOWEVER, AS WELL AS THE TECHNICAL/INDUSTRIAL AGREEMENT, COULD TAKE UP TO TWO YEARS FOR NEGOTIATION AND RATIFICATION; PROGRESS ON THESE AGREEMENTS WOULD BE CONDITIONED ON THE SUCCESS OF THE EMERGENCY AID OPERATION AND "THE GROWING CONSOLIDATION OF DEMOCRACY IN PORTUGAL."

4. EMERGENCY AID: THE COUNCIL IS ASKED TO APPROVE, AS SOON AS POSSIBLE, AN EMERGENCY AID PROPOSAL AND SET A SPECIFIED LEVEL FOR THE AID PROGRAM. THE OBJECTIVE WOULD BE TO HELP THE PORTUGUESE GOVERNMENT MEET ITS INVESTMENT PLANS AND RESOLVE ITS DIFFICULTIES IN FINDING EXTERNAL FINANCING. THE COMMUNITY FUNDS WOULD ACT TO "PRIME THE PUMP" OF THE PORTUGUESE ECONOMY, NOT TO COMPENSATE FOR THE DETERIORATION IN THE COUNTRY'S BALANCE OF PAYMENTS OR FOR ITS FALLING RESERVES. THIS AID WOULD PEAK IN 1976 AND THEN DIMINISH RAPIDLY AS THE FINANCIAL PROTOCOL (DESCRIBED BELOW) REPLACES IT.

5. THE COMMISSION SUGGESTED TWO FORMS OF EMERGENCY AID: A) DIRECT CONTRIBUTIONS FROM THE COMMUNITY AND ITS MEMBER STATES, TO INCLUDE LOANS, GRANTS OR A COMBINATION OF THE TWO; AND B) GUARANTEES TO POTENTIAL MEMBER STATE INVESTORS IN PORTUGAL. (THE COMMISSION RECOGNIZED THIS GUARANTEE MECHANISM WOULD ONLY BE EFFECTIVE OVER THE LONGER TERM).

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6. THE COMMISSION SUGGESTED THE FOLLOWING TECHNIQUES IN ADMINISTERING THE FUNDS:
-- A MIXED COMMITTEE, WITH EQUAL REPRESENTATION FROM THE MEMBER STATES, PORTUGAL, THE COMMISSION AND THE EUROPEAN INVESTMENT BANK (EIB), WOULD BE CHARGED WITH COORDINATING THIS AID AND MONITORING ITS USE AND "ORIENTATION" IN ACCORD-

ANCE WITH THE EVOLUTION OF THE SITUATION IN PORTUGAL.

- A PROJECT AID APPROACH PERMITTING PORTUGAL TO CHOOSE INVESTMENTS IT WISHES TO FINANCE WITHIN THE FRAMEWORK OF ITS OWN DEVELOPMENT PLAN.
- PARTICIPATION BY THE EIB, WHICH WOULD ACT AS A CONDUIT FOR THE FUNDS AND STUDY THE TECHNICAL, ECONOMIC AND FINANCIAL ASPECTS OF EACH PROJECT IN COLLABORATION WITH THE NATIONAL ADMINISTRATION WHICH WOULD BE FINANCING IT.

7. THE COMMISSION POINTED OUT THAT INTEREST RATES, LOAN MATURITY AND MODALITIES OF REPAYMENT ALL NEED FURTHER STUDY. INTEGRATION OF THE PROPOSED AID OPERATION IN THE MORE GENERAL CONTEXT OF AID TO PORTUGAL FROM INTERNATIONAL ORGANIZATIONS AND THIRD COUNTRIES MUST ALSO BE DEALT WITH.

8. TRADE REGIME: OTHER STEPS WHICH COULD BE APPLIED RAPIDLY INCLUDE MEASURES TO FACILITATE PORTUGAL'S AGRICULTURAL AND INDUSTRIAL EXPORTS TO THE COMMUNITY. SOME OF THE MODIFICATIONS THE COMMISSION PROPOSED INCLUDE:

- INCREASE THE 1976 ANNUAL CEILING FOR PORTUGUESE TEXTILES BY AVERAGING THE LEVEL OF IMPORTS FROM 1971-1973 AFTER INCREASING THE FIGURE FOR EACH YEAR BY 5 PERCENT.
- INCREASE THE 1976 QUOTAS ON PAPER PRODUCTS, TOGETHER WITH A 5 PERCENT ANNUAL INCRASSE FROM JANUARY 1, 1977.
- MODIFY THE INFANT INDUSTRIES CLAUSE IN THE EC/PORTUGAL ACCORD PERMITTING PORTUGAL TO REDUCE, BY 10 PERCENT, THE TOTAL VALUE OF 1970 IMPORTS FROM THE EC.

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- SUBSTANTIALLY INCREASE OR REMOVE QUOTAS FOR PORT, MADERIA, MOSCATEL, LESTEUBAL AND VINHO VERDE. TARIFFS, IF ANY, ON THEM SHOULD BE SIGNIFICANTLY (50-75 PERCENT) REDUCED.
- ALL CANNED FISH OR FISH PREPARATIONS EXCLUDING SARDINES AND TUNA SHOULD BE ADMITTED TO THE COMMUNITY DUTY-FREE. FOR TUNA THE TARIFF SHOULD BE REDUCED BY 60 PERCENT.
- 50 PERCENT TARIFF REDUCTIONS FOR CERTAIN FRUIT AND VEGETABLE PRESERVES.

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9. THE COMMISSION DECLINED TO ACCEPT THE PORTUGUESE PROPOSAL FOR "QUANTITATIVE SELF-LIMITATION" ON PORTUGUESE TEXTILE EXPORTS TO THE EC AND THUS DECLINED TO TOTALLY REMOVE ITS QUOTAS. THE COMMISSION NOTED THAT THE COMMUNITY CEILINGS HAVE REGULARLY BEEN EXCEEDED BY PORTUGAL AND IT EXPECTED THAT TO BE THE CASE IN 1975 AS WELL. THE COMMISSION ALSO TURNED DOWN PORTUGAL'S REQUEST FOR REMOVAL OF CUSTOMS DUTIES AND CEILINGS ON CORK. IT FOUND THE ISSUE "UNIMPORTANT ECONOMICALLY" TO PORTUGAL AND AN ISSUE WHICH COULD CAUSE REGIONAL DIFFICULTIES WITHIN THE COMMUNITY. FINALLY, THE COMMISSION REFUSED TO CHANGE THE PRESENT REGULATIONS ON SARDINES AND TOMATO PASTE. THE COMMISSION NOTED THAT THE PRESENT AGREEMENT WITH PORTUGAL ON THESE PRODUCTS WILL SERVE AS A MODEL FOR ITS TOTAL MEDITERRANEAN APPROACH.

10. COOPERATION RE. FOREIGN WORKERS AND SOCIAL SECURITY. THE COMMISSION FORESAW THE EXTENSION TO PORTUGUESE WORKERS OF THE SAME SOCIAL SECURITY BENEFITS AND THE

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RIGHT TO TRANSFER FUNDS TO THE HOMELAND WHICH THE COMMUNITY HAS OFFERED IN THE MAGHREB AGREEMENTS. RESPONSIBILITY FOR ASSURING THERE IS NO DISCRIMINATION IN CONDITIONS OF WORK, PAYMENT, AND ACCESS TO BENEFITS WOULD BE ASSUMED BY EACH MEMBER STATE. PORTUGAL MUST ASSURE SIMILAR NON-DISCRIMINATORY PROTECTION TO COMMUNITY CITIZENS WORKING THERE. THIS PROPOSAL WILL NOT AFFECT ANY BILATERAL ARRANGEMENTS BETWEEN PORTUGAL AND MEMBER STATES WHERE SUCH MEASURES ARE MORE FAVORABLE THAN THE COMMUNITY PROPOSALS.

11. FINANCIAL COOPERATION: THE COMMUNITY PROPOSED A FINANCIAL PROTOCOL VALID FOR FIVE YEARS, AND RENEWABLE, WHICH WOULD RESEMBLE ITS FINANCIAL AGREEMENTS WITH OTHER MEDITERRANEAN COUNTRIES. THE AID WOULD LARGELY CONSIST OF REGULAR EIB LOANS TOGETHER WITH GRANTS FOR FINANCING TECHNICAL AND PROFESSIONAL AID. THE OBJECT OF THIS FINANCING WOULD BE THREEFOLD: (A) TO DIVERSIFY THE STRUCTURE OF THE PORTUGUESE ECONOMY; (B) TO SUPPORT PROGRAMS FOR SMALL AND MEDIUM-SIZE ENTERPRISES IN PORTUGAL; (C) TO SUPPORT TECHNICAL COOPERATION, ESPECIALLY TECHNICAL AND PROFESSIONAL TRAINING.

12. IN SETTING A LEVEL FOR THE COMMUNITY'S ASSISTANCE UNDER A FINANCIAL PROTOCOL THE COMMISSION RECOMMENDED THAT SIGNIFICANT WEIGHT SHOULD BE GIVEN TO THE NEED TO CREATE A SOLID BASE FOR DEMOCRACY IN PORTUGAL. THIS CONSIDERATION SHOULD LEAD TO A HIGHER FIGURE THAN A SIMPLE CALCULATION BASED ON THE TRADITIONAL CRITERIA OF POPULATION AND PER CAPITA INCOME.

13. TECHNICAL AND INDUSTRIAL COOPERATION: THE COMMISSION NOTED THAT THIS COOPERATION WOULD COMPLEMENT THE FINANCIAL PROTOCOL. THE FOLLOWING ACTIONS ARE FORESEEN:

- A RECIPROCAL EXCHANGE OF INFORMATION ON THE ECONOMIC AND FINANCIAL SITUATION.
- DEVELOPMENT OF INDUSTRIAL PRODUCTION AND AN ECONOMIC INFRASTRUCTURE TO DIVERSIFY PORTUGUESE ECONOMY.

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- TRANSFER OF TECHNOLOGY TO PORTUGAL.
- ENCOURAGEMENT OF PRIVATE INVESTMENT.
- COOPERATION BETWEEN PORTUGUESE AND COMMUNITY INDUSTRIES.
- PROMOTION OF PORTUGUESE EXPORTS.
- INSTITUTION OF A PERMANENT WORKING GROUP TO

SCREEN ANY PROJECTS SET UP TO CARRY OUT THE
AGREEMENT, TO DETERMINE THE NEEDS OF THESE
PROJECTS, AND TO FIND WITHIN THE COMMUNITY
THE MEANS TO SUPPORT THEM. GREENWALD

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